

Contact Person	Fran Dunshee	Revision	2
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AMES LABORATORY INTERNAL AUDIT POLICY

This policy statement articulates the responsibilities of Internal Audit, the scope of work of Internal Audit and the responsibilities of Laboratory employees in realizing an effective Internal Audit function.

1.0 APPROVAL RECORD

Reviewed by: Document Control Coordinator (Amy Tehan)
 Approved by: ESH&A Manager (Tom E. Wessels)
 Approved by: Chief Operations Officer (Mark Murphy)
 Approved by: Associate Laboratory Director for Sponsored Research (Deb Covey)
 Approved by: Assistant Director for Scientific Planning (Cynthia Jenks)
 Approved by: Chief Research Officer (Duane D. Johnson)
 Approved by: Interim Deputy Director (David Baldwin)
 Approved by: Interim Director (Thomas A. Lograsso)
 Approved by: Senior Vice President for Business & Finance, Iowa State University, and Chair of the Ames Laboratory Operations Review Committee (Warren Madden)

The official approval record for this document is maintained in the Training, Documents & Records Office.

2.0 REVISION/REVIEW INFORMATION

The revision description for this document is available from and maintained by the author.

3.0 PURPOSE AND SCOPE

The purpose of this policy statement is to indicate the responsibilities and scope of work of Internal Audit at Ames Laboratory. Also, the responsibilities of other employees and management at Ames Laboratory, as related to facilitating the Internal Audit function are indicated. Internal Audit work, in cooperation with the Office of Inspector General, is required under contract. Relevant references and directives include:

1. Contract Clauses with the Department of Energy:
 - DEAR 970.5203-1 Management Controls
 - DEAR 970.5232-3 Accounts, Records and Inspections
2. The Cooperative Audit Strategy promulgated by the DOE (Chapter 70.4 of the Acquisition Guide, March 2004)
3. Government Audit Standards as promulgated by the Comptroller of the United States and the GAO
4. INTERNAL AUDIT CHARTER (Ames Laboratory)
5. DOE Order 221.1A, Reporting Fraud, Waste, and Abuse to the Office of Inspector General
6. DOE Order 221.2A Cooperation with the Office of Inspector General
7. DOE Order 226.1B Implementation of DOE Oversight Policy
8. Federal Acquisition Regulations (FAR) and Department of Energy Acquisition Regulations (DEAR), as invoked in the prime contract with DOE; the most notable of which is FAR 31.205: Contract Cost Principles and Procedures, Selected Costs

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Internal Audit, as servicing Ames Laboratory, shall operate in accordance with the purpose, authority and responsibility indicated in the approved Charter, which is appended to this document. The Charter is approved by the Laboratory Director, as well as the Senior Vice President for Business and Finance of ISU, the Head of the Ames Laboratory Operations Review Committee.

4.0 BACKGROUND STATEMENT

Ames Laboratory shall support and maintain an audit function that conforms to the *International Standards for the Professional Practice of Internal Auditing (Standards)* as endorsed by the *Institute of Internal Auditors (IIA)* (and effective as of 1/2013) in assisting management in their governance of risk and achieving optimization of resources provided by the government. All levels of management are provided an independent appraisal of their operations, including but not limited to:

- The appropriate safeguarding of resources
- Compliance with regulations, laws and requirements under contract
- Assessment of economy and efficiency of resource usage and
- Reliable and accurate financial and managerial information.

The Manager, Internal Audit, is responsible for controls and direction of the audit function.

5.0 INTERNAL AUDIT, AMES LABORATORY

Internal Audit serves the Laboratory by providing a systematic, disciplined approach to analyzing risks and reviewing systems to ascertain if systems and processes are adequate and working as intended by management.

In order to fulfill the responsibilities of Audit under the Contract, the following responsibilities, as pertaining to the audit function, are being noted:

5.1 Ames Laboratory Employees and Associates

- Read and adhere to this policy as available on the Ames Laboratory website.
- Provide full access of information and records to the Audit function as requested by Audit and as relevant to the approved Audit Plan.
- Cooperate in a timely manner in the performance of work so that full and complete audits may be provided on a fair and timely basis and resolutions from audit findings and recommendations may be determined.
- Notify management and Internal Audit immediately upon being contacted by an external audit entity, including appraisals by an external entity.

5.2 Ames Laboratory Department Managers and Program Directors

- Establish and maintain effective management control systems, as appropriate within a risk management process.
- Request audits, reviews, or assistance as needed.
- Coordinate timely completion of Corrective Action Plans and updates quarterly the status of corrective action taken to the COO for the Laboratory.

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- Notify Internal Audit when corrective actions, as associated with audit findings, are complete and provides the appropriate evidence of completion.
- Include Internal Audit in external audit entrance and exit meetings.
- Provide Internal Audit with a copy of reports from any external review and associated action plans.
- Apprise Internal Audit with timely information on significant requirement changes under contract, as impacting the Manager's functional area.

5.3 Internal Audit Staff

- Maintain professional competence as required by audit standards.
- Complete audit assignments as indicated by audit procedures, including review or coaching notes as necessary.
- Comply with the Code of Ethics as promulgated by *The Institute of Internal Auditors*.
- Treat information obtained through audit with the appropriate degree of circumspection.
- Treat all clients with respect, while maintaining professional independence.

5.4 Manager, Internal Audit

- Manages and oversees the design and realization of a comprehensive program of auditing as based on risk.
- Ensures that audit staff adheres to the *Internal Audit Charter*.
- Develops, with the input of management, an Annual Plan for annual audit coverage at Ames Laboratory, as based on risks.
- Reports administratively to the Ames Laboratory Director and reports functionally to the Senior Vice President for Business and Finance, the Head of the Ames Laboratory Operations Review Committee of the Ames Laboratory.
- Apprises the COO 30 days prior to quarter end of corrective action outstanding.
- Maintains accountability to the Ames Laboratory Director and laboratory management, including oversight entities, for the following:
 - Reporting significant issues relating to processes in controlling the activities of the Ames Laboratory, including potential improvements in issues pertaining to financial standards, compliance to contract and other regulations, and the economy and efficiency with which resources are being utilized.
 - Providing periodic information on the status and results of the annual Audit Plan and the sufficiency of resources relative to residual risks.
 - Providing to relevant parties the Annual Activity report, including members of the ALORC.

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- Providing timely reports to support the accountability of management to the taxpayers and other supporting entities.
- Providing information on the status of corrective actions pertaining to concerns from internal audits.
- Providing significant audit results as associated with external audits to the Ames Laboratory Director and to the Senior Vice President for Business and Finance of ISU.
- Indicating on an annual basis what areas of perceived risks cannot be covered by Audit (due to resource limitations).

5.5 Chief Operations Officer (COO):

- Coordinates Corrective Action Plans for response to audit findings and appropriate follow up by managers, as related to administrative and operational areas of the Laboratory. Provides Internal Audit quarterly updates on the status of completion of corrective action plans (CAPs).
- Keeps the audit function informed on any substantive changes to requirements under contract.
- Keeps the audit function informed pertaining to substantive business process change, cost allocation policy change, or material accounting recognition change.
- Keeps the audit function informed relative to updates to Agreements between the Laboratory and the Contractor on cost-sharing Agreements.
- Is responsible for risk management for the administrative and operational areas of the Laboratory and the related input to Audit for planning purposes.

5.6 Ames Laboratory Director:

- Has overall operational responsibility and authority for ensuring that Ames Laboratory complies with this Policy.
- Has final responsibility for taking necessary management actions, including allocating adequate personnel and financial resources to the audit function.
- Has overall responsibility and authority for ensuring that findings are resolved and recommendations are implemented in a timely manner.
- Has overall responsibility for ensuring adequate lab-wide coverage of auditable areas and has responsibility for removing impediments for access to needed information, if applicable.
- Provides input and direction to the annual Audit Plan process, including information on risks accepted by management identified through risk management.
- Facilitates adequate independence in fact and in appearance of the Internal Audit function.
- Approves the Audit Charter, along with the Senior Vice President for Business and Finance of ISU.

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5.7 Senior Vice President for Business and Finance of Iowa State University:

- With the Laboratory Director, approves the Audit Charter.
- Reviews status of corrective actions from audits periodically.
- Concurs annually with the Audit Plan recommended by the Manager of Internal Audit and, with the Laboratory Director, provides direction if substantive risks exceed resources available to Audit.
- With the Laboratory Director, facilitates in the resolution of any obstacles to ensuring the effectiveness of the Internal Audit function, for the benefit of Ames Laboratory.
- With the Laboratory Director, approves the remuneration of the Manager, Internal Audit.
- With the Manager of Internal Audit's input at the time of the proposed Audit Plan for the subsequent year, approves the resources provided as sufficient and appropriate for Internal Audit coverage at Ames Laboratory